

TOWN OF LAKETOWN, UTAH

**COMPILATION REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
AND
FINANCIAL STATEMENTS**

June 30, 2005

HANSEN, BARNETT & MAXWELL
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF LAKETOWN, UTAH

TABLE OF CONTENTS

	Page
Compilation Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Governmental Fund Financial Statements:	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	18
Proprietary Fund Financial Statements:	
Statement of Net Assets	19
Statement of Revenues, Expenses, and Changes in Net Assets	20

Statement of Cash Flows	21
Notes to Financial Statements	22
Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	34

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COMPILATION REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and
Members of the Town Council
Town of Laketown, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis on pages 2 to 9 and the statement of revenues, expenditures, and changes in fund balance-budget and actual-debt service fund, on page 34 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

A handwritten signature in cursive script that reads "Hansen, Barnett & Maxwell".

HANSEN BARNETT & MAXWELL

Salt Lake City, Utah
August 29, 2006

**Town of Laketown's
Management Discussion and Analysis
Fiscal Year Ended June 30, 2005**

As management of the Town of Laketown, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005.

History and Background of Government

The Town of Laketown was incorporated July 3, 1945. We are classified in Utah as a Town. We are a small town located on the south shore of beautiful Bear Lake in northern Utah. Although we are in a resort area, the town manages to maintain its small town atmosphere and sense of community. The Town operates under a Mayor/Council form of government. Each person serves a four year term with two council seats being elected every two years.

The Town of Laketown operated this fiscal year with a general fund budget of \$46,040. The Town receives the majority of its operating revenues from sales tax, and property tax. Some other types of revenue include Class C Road funds, State Liquor Funds, and business licenses. The Town of Laketown provides the following services: administration, planning and zoning, streets, street lights, a park, and a rodeo arena. The Town also operates a fully approved culinary water system.

Financial Highlights

During the course of the fiscal year ended June 30, 2005, the Town's operating income remained consistent with the income received during the prior year. The Town did not receive any grants during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements.

In addition to the Management's Discussion and Analysis, the report consists of government-wide financial statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances.

Government-wide financial statements. The government-wide *financial* statements are a new component of the Town's report beginning at the 2004 fiscal year end. These statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to private-sector business reporting.

The *statement of net assets*, a component of the government-wide financial statements, presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. The Town's capital assets (land, buildings and equipment) are included in this statement and reported net of their accumulated depreciation. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the Town's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The *statement of activities* presents revenue and expense information showing how the Town's net assets changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, tax revenues are reported when the taxes are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until some time later.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by intergovernmental revenues and taxes (*governmental activities*) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the Town include: legislative, administration, planning and zoning, streets, and a park. Business-type activities include the water department.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts (revenues, expenses, assets and liabilities) that is used to control resources that have been segregated for specific activities. The Town of Laketown, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the Town can be divided into two categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, for accounting and reporting purposes, government fund numbers are determined with a different approach. At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, reconciliation between the two types is necessary to understand how the numbers differ. Such reconciliations are provided on pages 13 and 15 of this report.

The General Fund is the primary operating governmental fund of the Town. To demonstrate legal compliance, a statement comparing budget-to actual numbers for the General Fund is included in the financial statements.

Proprietary Funds. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the Water operations.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

Other information. Supplemental information can be found on page 34 of this report.

Government-wide Financial Analysis

The tables provided hereafter show net assets, changes in net assets, and capital assets for the year ended June 30, 2005 (the 2005 fiscal year). Data for the year ended June 30, 2004 (the 2004 fiscal year) is also provided for comparative purposes. The Town's net assets, may serve over time, as a useful indicator of

a local government's financial position. In the case of the Town, assets exceeded liabilities by \$383,517 at June 30, 2005. Assets exceeded liabilities by \$355,763 at June 30, 2004.

By far the largest portion of the Town's net assets (69% in the 2005 fiscal year and 76% in the 2004 fiscal year) reflects its investment in capital assets (e.g. buildings, machinery, equipment, and related improvements), less any related debt and accumulated depreciation. The Town uses these capital assets to house the operations of the Town such as our administration, and culinary water system departments. Other assets include our water transmission lines, which consequently, these assets are not available for future spending.

The following table describes the Town's Net Assets as of June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 133,898	\$ 83,936	\$ 217,834
Capital assets	<u>53,615</u>	<u>286,873</u>	<u>340,488</u>
Total assets	187,513	370,809	558,322
Long-term liabilities outstanding	90,000	84,209	174,209
Other liabilities	<u>360</u>	<u>236</u>	<u>596</u>
Total liabilities	90,360	84,445	174,805
Net Assets:			
Invested in property and equipment, net of related debt and accumulated depreciation	53,615	210,631	264,246
Restricted for:	35,968	-	35,968
Roads	10,000	15,730	25,730
Debt service	359	-	359
Other	<u>(2,789)</u>	<u>60,003</u>	<u>57,214</u>
Unrestricted	<u>\$ 97,153</u>	<u>\$ 286,364</u>	<u>\$ 383,517</u>
Total net assets			

The following table describes the Town's Net Assets as of June 30, 2004:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 119,265	\$ 74,644	\$ 193,909
Capital assets	58,301	297,083	355,384
Total assets	177,566	371,727	549,293
Long-term liabilities outstanding	100,000	92,429	192,429
Other liabilities	875	226	1,101
Total liabilities	100,875	92,655	193,530
Net Assets:			
Invested in property and equipment, net of related debt and accumulated depreciation	58,301	212,871	271,172
Restricted for:	28,955	-	28,955
Roads	10,000	15,730	25,730
Debt service	531	-	531
Other	(21,096)	50,471	29,375
Unrestricted	\$ 76,691	\$ 279,072	\$ 355,763
Total net assets			

At the end of the current year, the Town is able to report positive balances in all categories of net assets. The Town's net assets increased by \$27,754 during the 2005 fiscal year and \$28,485 during the 2004 fiscal year.

Key elements of the increase in net assets for the 2005 fiscal year are as follows:

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:	\$ -	\$ 28,791	\$ 28,791
Charges for services	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
General Revenues:	10,603	-	10,603
Property taxes	22,746	-	22,746
General sales and use tax	11,621	-	11,621
Class C road	12,546	-	12,546
Miscellaneous	1,184	1,345	2,529
Investment earnings			
Total revenues	58,700	30,136	88,836

Expenses:			
General government	11,390	-	11,390
Public safety	1,020	-	1,020
Highways and public works	8,179	-	8,179
Parks and recreation	17,649	-	17,649
Water	-	22,844	22,844
Total expenses	38,238	22,844	61,082
Change in net assets	20,462	7,292	27,754
Net assets – beginning	76,691	279,072	355,763
Fund equity – ending	\$ 97,153	\$ 286,364	\$ 383,517

Key elements of the increase in net assets for the 2004 fiscal year are as follows:

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for services	\$ -	\$ 29,351	\$ 29,351
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
General Revenues:			
Property taxes	10,803	-	10,803
General sales and use tax	19,400	-	19,400
Class C road	15,383	-	15,383
Miscellaneous	11,855	-	11,855
Investment earnings	788	927	1,715
Total revenues	58,229	30,278	88,507
Expenses:			
General government	16,494	-	16,494
Public safety	3,864	-	3,864
Highways and public works	4,241	-	4,241
Parks and recreation	14,808	-	14,808
Water	-	20,615	20,615
Total expenses	39,407	20,615	60,022
Change in net assets	18,822	9,663	28,485
Net assets – beginning	57,869	269,409	327,278
Fund equity – ending	\$ 76,691	\$ 279,072	\$ 355,763

Budgetary Highlights

The Town Council adopted the fiscal year budget June 10, 2004. There were no amendments to the budget during the year.

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, amounted to \$340,488 as of June 30, 2005 and \$355,384 as of June 30, 2004. This investment includes land and related improvements, building, office space and equipment, park maintenance equipment and the water transmission system. The only change in the capital assets of the Town was the recording depreciation on the assets used in the business-type activity.

The following table represents the Town's Capital Assets, net of depreciation, for the 2005 fiscal year:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,937	\$ -	\$ -	\$ 20,937
Total capital assets, not being depreciated	20,937	-	-	20,937
Capital assets, being depreciated:				
Buildings	28,867	-	-	28,867
Park improvements and equipment	58,887	-	-	58,887
Rodeo improvements and equipment	34,740	-	-	34,740
Furnishings and equipment	19,587	-	-	19,587
Total capital assets, being depreciated	142,081	-	-	142,081
Accumulated depreciation for:				
Buildings	(4,748)	(722)	-	(5,470)
Park improvements and equipment	(53,731)	(2,159)	-	(55,890)
Rodeo improvements and equipment	(29,470)	(959)	-	(30,429)
Furnishings and equipment	(16,768)	(846)	-	(17,614)
Total accumulated depreciation	(104,717)	(4,686)	-	(109,403)
Total capital assets, being depreciated, net	37,364	(4,686)	-	32,678
Governmental activities capital assets, net	\$ 58,301	\$ (4,686)	\$ -	\$ 53,615

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities:				
Capital assets, being depreciated				
Systems improvements	421,579	-	-	421,579
Office equipment	1,983	-	-	1,983
Total capital assets, being depreciated	423,562	-	-	423,562
Accumulated depreciation for:				
Systems improvements	(124,496)	(10,210)	-	(134,706)
Office equipment	(1,983)	-	-	(1,983)
Total accumulated depreciation	(126,479)	(10,210)	-	(136,689)
Total capital assets, being depreciated, net	297,083	(10,210)	-	286,873
Business-type activities capital assets, net	<u>\$ 297,083</u>	<u>\$ (10,210)</u>	<u>\$ -</u>	<u>\$ 286,873</u>

The following table represents the Town's Capital Assets, net of depreciation, for the 2004 fiscal year:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,937	\$ -	\$ -	\$ 20,937
Total capital assets, not being depreciated	20,937	-	-	20,937
Capital assets, being depreciated:				
Buildings	28,867	-	-	28,867
Park improvements and equipment	60,713	-	(1,826)	58,887
Rodeo improvements and equipment	34,740	-	-	34,740
Furnishings and equipment	19,587	-	-	19,587
Total capital assets, being depreciated	143,907	-	(1,826)	142,081
Accumulated depreciation for:				
Buildings	(4,026)	(722)	-	(4,748)
Park improvements and equipment	(53,155)	(2,402)	1,826	(53,731)
Rodeo improvements and equipment	(28,511)	(959)	-	(29,470)
Furnishings and equipment	(15,922)	(846)	-	(16,768)
Total accumulated depreciation	(101,614)	(4,929)	1,826	(104,717)
Total capital assets, being depreciated, net	42,293	(4,929)	-	37,364
Governmental activities capital assets, net	<u>\$ 63,230</u>	<u>\$ (4,929)</u>	<u>\$ -</u>	<u>\$ 58,301</u>

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Capital assets, being depreciated				
Systems improvements	421,579	-	-	421,579
Office equipment	1,983	-	-	1,983
Total capital assets, being depreciated	423,562	-	-	423,562
Accumulated depreciation for:				
Total accumulated depreciation	(116,270)	(10,209)	-	(126,479)
Total capital assets, being depreciated, net	307,292	(10,209)	-	297,083
Business-type activities capital assets, net	<u>\$ 307,292</u>	<u>\$ (10,209)</u>	<u>\$ -</u>	<u>\$ 297,083</u>

Long-term Debt

At June 30, 2005, the Town had \$90,000 in long-term debt for governmental activities and \$84,209 for the business-type activity. At June 30, 2004, the Town had \$100,000 in long-term debt for governmental activities and \$92,429 for the business-type activity. The debt consists of a loan from the Community Impact Board for street improvements and water revenue bonds for water system improvements. The only change in the long-term debt of the Town was the payment of principal in the normal course of business.

Requests for Information

This financial report is designed to provide a general overview of the Town of Laketown's finances for all those with an interest. Questions regarding any of the information provided in this report or requests for additional information should be addressed to Town Clerk, P.O. Box 118, Laketown, Utah 84038.

TOWN OF LAKETOWN, UTAH
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 82,674	\$ 58,401	\$ 141,075
Restricted cash	43,915	15,730	59,645
Accounts receivable	4,896	9,762	14,658
Accounts receivable - restricted	2,412	-	2,412
Due from other funds	-	43	43
Total Current Assets	<u>133,898</u>	<u>83,936</u>	<u>217,834</u>
Capital Assets			
Capital assets, not being depreciated	20,937	-	20,937
Capital assets, being depreciated, net	32,678	286,873	319,551
Total Capital Assets	<u>53,615</u>	<u>286,873</u>	<u>340,488</u>
Total Assets	<u>\$ 187,513</u>	<u>\$ 370,809</u>	<u>\$ 558,322</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 317	\$ 236	\$ 553
Due to other funds	43	-	43
Bonds and Notes payable - current portion	10,000	7,967	17,967
Total Current Liabilities	<u>10,360</u>	<u>8,203</u>	<u>18,563</u>
Non-Current Liabilities			
Bonds and Notes payable - long term portion	80,000	76,242	156,242
Total Non-Current Liabilities	<u>80,000</u>	<u>76,242</u>	<u>156,242</u>
Total Liabilities	<u>90,360</u>	<u>84,445</u>	<u>174,805</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,615	210,631	264,246
Restricted	46,327	15,730	62,057
Unrestricted	(2,789)	60,003	57,214
Total Net Assets	<u>97,153</u>	<u>286,364</u>	<u>383,517</u>
Total Liabilities and Net Assets	<u>\$ 187,513</u>	<u>\$ 370,809</u>	<u>\$ 558,322</u>

See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Function/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 11,390	\$ -	\$ -	\$ -	\$ (11,390)	\$ -	\$ (11,390)
Public safety	1,020	-	-	-	(1,020)	-	(1,020)
Highways and public works	8,179	-	-	-	(8,179)	-	(8,179)
Parks and recreation	17,649	-	-	-	(17,649)	-	(17,649)
Interest on long-term debt	0	-	-	-	0	-	0
Total governmental activities	38,238	-	-	-	(38,238)	-	(38,238)
Business-type activities:							
Water	22,844	28,791	-	-	-	5,947	5,947
Total business-type activities	22,844	28,791	-	-	-	5,947	5,947
Total primary government	\$ 61,082	\$ 28,791	\$ -	\$ -	(38,238)	5,947	(32,291)
General revenues:							
Taxes					33,349	-	33,349
Inter-governmental revenue					11,621	-	11,621
Interest income					1,184	1,345	2,529
Miscellaneous					12,546	-	12,546
Total general revenues					58,700	1,345	60,045
Change in net assets					20,462	7,292	27,754
Net assets:							
Beginning					76,691	279,072	355,763
Ending					\$ 97,153	\$ 286,364	\$ 383,517

See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Total Governmental Funds
Cash and Investments					
Cash and Equivalents	\$ 30,749	\$ 11,925	\$ 40,000	\$ -	\$ 82,674
Restricted Cash	33,915	-	-	10,000	43,915
Total Cash and Investments	<u>64,664</u>	<u>11,925</u>	<u>40,000</u>	<u>10,000</u>	<u>126,589</u>
Receivables					
Restricted Accounts receivable	2,412	-	-	-	2,412
Other accounts receivable	4,896				4,896
Total Receivables	<u>7,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,308</u>
Total Assets	<u>\$ 71,972</u>	<u>\$ 11,925</u>	<u>\$ 40,000</u>	<u>\$ 10,000</u>	<u>\$ 133,897</u>
Liabilities					
Accounts Payable	\$ 316	\$ -	\$ -	\$ -	\$ 316
Due to other fund	43	-	-	-	43
Total Liabilities	<u>359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359</u>
Fund Balances					
Reserved	36,327	-	-	10,000	46,327
Unreserved	35,286	11,925	40,000	-	87,211
Total Fund Balances	<u>71,613</u>	<u>11,925</u>	<u>40,000</u>	<u>10,000</u>	<u>133,538</u>
Total Liabilities and Fund Balances	<u>\$ 71,972</u>	<u>\$ 11,925</u>	<u>\$ 40,000</u>	<u>\$ 10,000</u>	<u>\$ 133,897</u>

See Accountants' Compilation Report and notes to the financial statements.

**TOWN OF LAKETOWN, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total Fund Balances - Governmental Fund Types	\$ 133,538
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	53,615
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(90,000)
Total Net Assets - Governmental Activities	<u>\$ 97,153</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LAKETOWN, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Debt Service Fund	Total Governmental Funds
Revenue					
Taxes	\$ 33,349	\$ -	\$ -	\$ -	\$ 33,349
Inter-governmental revenue	11,621	-	-	-	11,621
Interest	1,132	52	-	-	1,184
Miscellaneous	218	12,328	-	-	12,546
Total Revenues	46,320	12,380	-	-	58,700
Expenditures					
General government	9,822	-	-	-	9,822
Public safety	1,020	-	-	-	1,020
Streets and highways	15,061	-	-	-	15,061
Parks and Recreation	4,566	13,083	-	-	17,649
Total Expenditures	30,469	13,083	-	-	43,552
Increase of revenues over expenditures	15,851	(703)	-	-	15,148
Other Financing Sources	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Change in fund balances	15,851	(703)	-	-	15,148
Fund Balances:					
Beginning of year	55,762	12,628	40,000	10,000	118,390
End of year	\$ 71,613	\$ 11,925	\$ 40,000	\$ 10,000	\$ 133,538

See Accountants' Compilation Report and notes to the financial statements.

**TOWN OF LAKETOWN, UTAH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$	15,148
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation recorded for the year. No purchases were made during the year.

5,314

Change in Net Assets of Governmental Activities	\$	<u>20,462</u>
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See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenue				
Taxes	\$ 30,100	\$ 30,100	\$ 33,349	\$ 3,249
Inter-governmental revenue	15,040	15,040	11,621	(3,419)
Interest income	700	700	1,132	432
Miscellaneous	200	200	218	18
Total Revenues	46,040	46,040	46,320	280
Expenditures				
General government	15,175	15,175	9,822	5,353
Public safety	1,100	1,100	1,020	80
Streets and highways	7,471	7,471	15,061	(7,590)
Parks and recreation	6,000	6,000	4,566	1,434
Capital outlay	-	-	-	-
Total Expenditures	29,746	29,746	30,469	723
Excess (deficiency) of revenues over (under) expenditures	16,294	16,294	15,851	(443)
Other financing sources (uses)				-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues (over) under expenditures net of other financing sources (uses)	16,294	16,294	15,851	(443)
Fund Balances, Beginning of Year	55,762	55,762	55,762	-
Fund Balances, End of Year	\$ 72,056	\$ 72,056	\$ 71,613	\$ (443)

See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue Fund			Variance-
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Inter-governmental revenue	-	-	-	-
Interest income	50	50	52	2
Miscellaneous	12,000	12,000	12,328	328
Total Revenues	<u>12,050.00</u>	<u>12,050.00</u>	<u>12,380.00</u>	<u>330</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	12,350	12,350	13,083	(733)
Capital outlay	-	-	-	-
Total Expenditures	<u>12,350.00</u>	<u>12,350.00</u>	<u>13,083.00</u>	<u>(733)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300)</u>	<u>(300)</u>	<u>(703)</u>	<u>(403)</u>
Other Financing Sources (uses)				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues (over) under expenditures net of other financing sources (uses)	-	-	-	-
Fund Balances, Beginning of Year	<u>12,628</u>	<u>12,628</u>	<u>12,628</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 12,328</u>	<u>\$ 12,328</u>	<u>\$ 11,925</u>	<u>\$ (403)</u>

See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Capital Projects			Variance- Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Inter-governmental revenue	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
CIB loan				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>

See Accountants' Compilation Report and notes to the financial statements.

**TOWN OF LAKETOWN, UTAH
STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2005**

	<u>Water Utility Fund</u>
ASSETS	
CURRENT:	
Cash	\$ 58,401
Restricted cash	15,730
Receivables:	
Accounts receivable	9,762
Due from other funds	43
NONCURRENT:	
Capital assets (net of accumulated depreciation)	<u>286,873</u>
Total Assets	<u>\$ 370,809</u>
LIABILITIES	
CURRENT:	
Accounts payable	\$ 236
Bonds payable - current portion	<u>7,967</u>
Total Current Liabilities	<u>8,203</u>
NON-CURRENT LIABILITIES	
Bonds payable, net of current portion	<u>76,242</u>
Total Non-Current Liabilities	<u>76,242</u>
Total Liabilities	<u>84,445</u>
NET ASSETS	
Invested in capital assets net of debt	202,664
Restricted	15,730
Unrestricted	<u>67,970</u>
Total Net Assets	<u>\$ 286,364</u>

See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Water Utility Fund</u>
Operating Revenues	
Water charges	\$ 28,791
Other revenue	<u>-</u>
Total Operating Revenues	<u>28,791</u>
Operating Expenses	
Personnel	3,005
Materials and supplies	4,242
Depreciation	10,210
Other costs	<u>2,353</u>
Total Operating Expenses	<u>19,810</u>
Operating Income (Loss)	<u>8,981</u>
Non-Operating Revenues (Expenses)	
Interest income	1,345
Interest expense	<u>(3,034)</u>
Net Non-Operating Revenues (Expenses)	<u>(1,689)</u>
Change in Net Assets	7,292
Total Net Assets - Beginning of Year	<u>279,072</u>
Total Net Assets - End of Year	<u><u>\$ 286,364</u></u>

See Accountants' Compilation Report and notes to the financial statements.

**TOWN OF LAKETOWN, UTAH
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Cash Flows From Operating Activities	
Cash received from customers and others	\$ 29,985
Cash paid to suppliers for goods and services	(6,586)
Cash paid to employees and for benefits	<u>(3,005)</u>
Net Cash Provided by Operating Activities	<u>20,394</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on bonds	(8,219)
Interest paid on bonds	<u>(3,034)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(11,253)</u>
Cash Flows From Investing Activities	
Interest income	<u>1,345</u>
Net Cash Provided by Investing Activities	<u>1,345</u>
Net Increase in Cash	10,486
Cash Balance, Beginning of Year	<u>63,645</u>
Cash Balance, End of year	<u>\$ 74,131</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net operating income	\$ 8,981
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	10,210
Decrease in accounts receivable	1,193
Increase in accounts payable	<u>10</u>
Net Cash Provided by Operating Activities	<u>\$ 20,394</u>

See Accountants' Compilation Report and notes to the financial statements.

TOWN OF LAKETOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – DESCRIPTION OF REPORTING ENTITY, FUNDS AND ACCOUNT GROUPS, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Laketown, Utah (the Town), operates as an incorporated governmental entity within the State of Utah. The Town functions under a Council/Mayor form of Government and provides the following services: public safety, streets and public improvements, recreation, planning and zoning, administrative services, and water utility.

The financial statements of the Town of Laketown, Utah have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity — In evaluating how to define the entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the following criterion. The basic - but not only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographical boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based on these criteria there are no component units which should be included in these financial statements.

Financial Statement Presentation — In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the Town's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Town did not elect to early implement the provisions of Statement No. 34. The year ending June 30, 2004 was the first year the Town was required to implement Statement No. 34 as well as other new standards related to note disclosure, non-exchange transactions, and certain liabilities and expenditures.

Basis of Presentation

Government-wide Financial Statements

The government-wide statements, i.e. the statement of net assets and the statement of activities, report information on all of the activities of the Town. The Town does not have any fiduciary activities. For the most part, the effect of the interfund activity has been eliminated from these statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets except for those amounts due between governmental and business-type activities. Such amounts are reported at the net amount as "internal balances" and offset each other to result in a zero balance in the total column. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The government-wide statement of net assets presents information on all of the Town's assets and liabilities, and the difference between the two is reported as net assets. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that can be clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Indirect costs in the governmental activities that are not associated directly with a function or program in the Town are included in the general governmental activities in the entity-wide statements.

Fund Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Town's funds are organized into two major categories: governmental and proprietary. Separate financial statements are provided for each of these categories. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. A fund is considered major if it is the primary operating (general) fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As per the above criteria, the Town's General, Special Revenue, Capital Projects and Water Utility Fund are major funds. The Town's Debt Service is considered a non-major fund.

Fund Accounting — The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds or account groups.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the Town.

Debt Service Fund - The debt services fund is used to account for the accumulation of financial resources for the payment of principal and interest on general long-term debt.

Proprietary Fund Types

These fund types account for Town activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position (Economic resources measurement focus). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Enterprise Fund - The water utility fund is used to account for operations of the water utility fund. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or covered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting — The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to the types of assets that appear on the statement of net assets and changes to those assets that appear on the statement of

activities. The current financial resources measurement focus reports only current assets and current liabilities on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in these assets. The economic resources measurement focus shows total assets and liabilities on the statement of net assets and changes in net assets on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements and the fund financial statements for proprietary and fiduciary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with the fund's normal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

These funds account for Town activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position (Economic resources measurement focus). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which GASB prevails. The funds included in this category are Enterprise Funds.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

Reconciliation of Government-wide and Fund Financial Statements — Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the asset, liabilities, revenues and expense/expenditures reported on the fund financial statements and government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements (see pages 13 and 15).

Budgets and Budgetary Accounting — The Town follows these procedures in establishing the budgetary data reflected in the financial statements, which is presented on the same basis of accounting as the financial statements:

Utah code requires the preparation of an annual budget, which provides documentation that all sources and uses of Town resources are properly planned, budgeted, and approved. The budget, upon adoption, is the legal document which places restrictions and limitations on the purposes and amounts for which Town monies may be expended.

The budget is adopted according to the following schedule:

- a. At least 7 days prior to adoption, the mayor shall prepare a tentative budget on forms provided by the Utah State Auditor's Office and the tentative shall be available for public inspection.
- b. The public hearing on the budget will be held on or before June 7.
- c. The council shall adopt a budget by June 15. A copy of this budget shall be filed with the Utah State Auditor's Office.

The Town follows Utah code in amending its budget when necessary, prior to the expenditure of funds in excess of the original appropriation. Appropriations lapse at fiscal year end.

Capital Assets and Depreciation — Capital assets are recorded as expenditures in the governmental type funds at time of purchase. In the government-wide financial statements and in the fund financial statements for proprietary funds, capital assets are treated as capital assets. Assets contributed to the Town are recorded at their fair market value on the date of contribution.

Prior to July 1, 2004, governmental funds' infrastructure assets were not capitalized. The GASB Statement No. 34 requires capitalization of infrastructure, but permits an optional four-year delay for implementation of the infrastructure capitalization. The implementation of this portion of GASB No. 34 was delayed for infrastructure constructed prior to June 30, 2004. There were no current year additions to infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Property and equipment are stated at original cost or estimated original cost, except for donations which are stated at their estimated market value at the time received. Depreciation on these assets is computed using the straight-line method based on the estimated useful lives as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings	15-50
Improvements	20-40
Equipment	2-15
Vehicles	3-7

Public Employees Retirement System — The Town does not participate in the Utah Public Employee's Retirement System.

Contributions — The Town records federal and state grant funds received for water system improvements as contributions within the appropriate enterprise fund. Depreciation on assets funded in this manner is charged to contributions, rather than to retained earnings of each fund. No grants were received during fiscal year 2005.

Property Taxes - Revenues — Property taxes are collected by the county treasurer and remitted to the Town shortly after collection. The county is required to levy the proposed tax by June 15. The county

treasurer mails the property tax notice at least 10 days before August 1, and the taxes are due by November 30. If after five years (May of the fifth year) delinquent taxes have not been paid, the county advertises and sells the property at a tax sale.

Cash and Investments — Included in cash available for operations is \$76,302 on deposit with the Utah State Treasurer. The interest rate fluctuated monthly and was 3.18% at June 30, 2005. The Town adopted GASB Statement No. 40, "Deposits and Investment Risk Disclosures," during the year ended June 30, 2005. See Note 3 for further discussion regarding the Town's policies regarding cash deposits and investments.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management — The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured against these occurrences through insurance. The Town pays an annual premium for its insurance coverage which is accounted for in the General Fund.

NOTE 2 – APPROPRIATIONS - ENTERPRISE FUND

Operating appropriations compared to actual operating expenses (less depreciation) for the proprietary type fund is as follows for the year ended June 30, 2005:

	<u>Operating Appropriations</u>	<u>Actual Operating Expenses</u>	<u>Variance- Positive (Negative)</u>
Water Fund	<u>\$ 22,121</u>	<u>\$ 19,810</u>	<u>\$ 2,311</u>

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits – At June 30, 2005, the carrying amount of the Town's cash deposits was \$122,541 and the bank balance was \$122,837. The entire bank balance was covered by federal depository insurance.

Deposit Custodial Credit Risk – Custodial credit risk is the risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The State of Utah does not require collateral on deposits.

Investments – Besides deposits in local banks, the town deposits part of its cash in the Utah Public Treasurers' Investment Fund (PTIF). At June 30, 2005, the Town had \$78,179 invested in the PTIF. This amount is included with cash in these financial statements.

The Town follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The law requires the depositing of Town funds in a "qualified depository". The Act defines a "qualified

depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

1. Negotiable or nonnegotiable deposits of qualified depositories,
2. Repurchase agreements with qualified depositories or primary reporting dealers,
3. Commercial paper, if rated P-1 by Moody's Investor Services or A-1 by Standard and Poors, and the remaining term to maturity is 180 days or less,
4. Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less,
5. Obligations of the United States Treasury, including bills, notes and bonds,
6. Obligations issued by, or fully guaranteed as to principal and interest by, the following agencies or instrumentalities of the United States, in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or Student Loan Marketing Association,
7. Shares or certificates in any one-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940, the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

Under the State Money Management Act, a State Money Management Council was created, consisting of five individuals appointed by the governor, and qualified by training and experience in the fields of investment or finance. In performing its functions and responsibilities, the Council provides a measure of depository protection. The Council issues a list of qualified depositories to public treasurers quarterly, also monitoring the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the Council. State law and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately.

The town has invested a large portion of its idle funds (\$78,179 at June 30, 2005) with the PTIF. The Utah State Treasurer's Office operates the PTIF in accordance with the State Management Act. The State Money Management Council provides regulatory oversight for the PTIF.

The investments with the State bore interest at 3.18% at June 30, 2005. The carrying amount is materially equal to fair value. All securities comprising the PTIF comply with strict investment criteria required by the Utah Money Management Act. All practices of the Fund are under the monthly scrutiny of the Utah Money Management Act. The Utah State Auditor audits the Fund each year. The degree of risk of the fund depends upon the underlying portfolio. Parties interested in learning what specific investments comprise the State Treasurer's Fund may contact the Utah State Treasurer's Office.

Investment Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Summary – The above described cash deposits and investments are summarized and presented in the financial statements at fair value in accordance with the following analysis:

Cash and Cash Equivalents	
Cash	\$ 122,541
Utah Public Treasurer's Investment Fund	78,179
Total (fair value)	\$ 200,720

NOTE 4 – CAPITAL ASSETS

The following two tables summarize the changes in capital assets for governmental and business-type activities during the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,937	\$ -	\$ -	\$ 20,937
Total capital assets, not being depreciated	20,937	-	-	20,937
Capital assets, being depreciated:				
Buildings	28,867	-	-	28,867
Park improvements and equipment	58,887	-	-	58,887
Rodeo improvements and equipment	34,740	-	-	34,740
Furnishings and equipment	19,587	-	-	19,587
Total capital assets, being depreciated	142,081	-	-	142,081
Accumulated depreciation for:				
Buildings	(4,748)	(722)	-	(5,470)
Park improvements and equipment	(53,731)	(2,159)	-	(55,890)
Rodeo improvements and equipment	(29,470)	(959)	-	(30,429)
Furnishings and equipment	(16,768)	(846)	-	(17,614)
Total accumulated depreciation	(104,717)	(4,686)	-	(109,403)
Total capital assets, being depreciated, net	37,364	(4,686)	-	32,678
Governmental activities capital assets, net	\$ 58,301	\$ (4,686)	\$ -	\$ 53,615

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities:				
Capital assets, being depreciated				
Systems improvements	\$ 421,579	\$ -	\$ -	\$ 421,579
Office equipment	1,983	-	-	1,983
Total capital assets, being depreciated	423,562	-	-	423,562
Accumulated depreciation for:				
Systems improvements	(124,496)	(10,210)	-	(134,706)
Office equipment	(1,983)	-	-	(1,983)
Total accumulated depreciation	(126,479)	(10,210)	-	(136,689)
Total capital assets, being depreciated, net	297,083	(10,210)	-	286,873
Business-type activities capital assets, net	\$ 297,083	\$ (10,210)	\$ -	\$ 286,873

Depreciation expense was charged to functions/programs of the Town as follows:

	Depreciation Expense
Governmental activities:	
General government	\$ 1,568
Parks and recreation	3,118
Total depreciation expense - governmental activities	\$ 4,686
Business-type activities:	
Water utility	\$ 10,210
Total depreciation expense - business-type activities	\$ 10,210

NOTE 6 – LONG-TERM DEBT, ENTERPRISE FUND

Utah Board of Water Resources

\$100,000 water revenue loan due to Utah Board of Water Resources in annual installments of \$5,000 to \$7,000 bearing 0% interest. Payments are due annually on January 1 until retirement on January 1, 2010.

At June 30, 2005 status is current; balance \$ 35,000

Farmers Home Administration - Loan Number 5101

On August 12, 1976 the Town executed a loan for \$76,000. This loan requires payments of \$424 per month including interest at 5.116%. During FY 2005, the note was paid in full.

Farmers Home Administration - Loan Number 9102

On April 23, 1993 the Town executed a loan for \$58,700. This loan requires payments of \$294 per month including interest at 5.25%.

At June 30, 2005 status is current; balance

\$ 49,209

The Farmers Home Administration loans require that a reserve fund equal to one month's payment be reserved each year for ten years. The total that must be reserved to comply with this requirement is \$7,180. The Town currently has \$15,730 reserved in order to comply with this requirement and also for future construction needs.

Summary of Debt Service Requirements

The aggregate amount of maturities for long-term borrowings for each of the next five years is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 7,968	\$ 2,560	\$ 10,528
2007	\$ 8,020	\$ 2,508	\$ 10,528
2008	\$ 8,074	\$ 2,454	\$ 10,528
2009	\$ 8,132	\$ 2,396	\$ 10,528
2010	\$ 8,193	\$ 2,335	\$ 10,528
Thereafter	\$ 43,823	\$ 27,290	\$ 71,114
	<u>\$ 84,210</u>	<u>\$ 39,544</u>	<u>\$ 123,754</u>

NOTE 7 – GENERAL LONG-TERM DEBT

State of Utah, Permanent Community Impact Fund Board – Loan number m5294

On April 11, 2002 the Town adopted a resolution to issue a revenue bond in the amount of \$100,000. The bond was purchased by the Permanent Community Impact Fund Board (PCIFB) at par value. The bond is required to be repaid in ten annual installment of \$10,000 each bearing interest at 0% beginning December 1, 2005.

At June 30, 2005 status is current; balance

\$ 90,000

Summary of Debt Service Requirements

The aggregate amount of maturities for long-term borrowings for each of the next five years is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 10,000	\$ -	\$ 10,000
2007	\$ 10,000	\$ -	\$ 10,000
2008	\$ 10,000	\$ -	\$ 10,000
2009	\$ 10,000	\$ -	\$ 10,000
2010	\$ 10,000	\$ -	\$ 10,000
Thereafter	\$ 40,000	\$ -	\$ 40,000
	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>

NOTE 8 - CLASS "C" ROAD

The following is a schedule of the receipts and disbursements of Class "C" Road monies:

Balance - June 30, 2004	\$ 24,864
Receipts:	
State allotments	11,566
Disbursements:	
Road construction	-
Road maintenance	<u>(2,874)</u>
Balance - June 30, 2005	<u>\$ 33,556</u>

NOTE 9 - RESERVED FUNDS

The Town has established reserve funds for three purposes in the general fund. These purposes are for the Centennial Sign project, Class C road use, and liquor law enforcement.

The changes in reserved funds of the General Fund balances are as follows:

	<u>Balance</u> <u>June 30,</u> <u>2004</u>	<u>Additions</u>	<u>Expenditures</u>	<u>Balance</u> <u>June 30,</u> <u>2005</u>
Class C road funds	\$ 24,864	\$ 11,566	\$ (2,874)	\$ 33,556
Centennial sign	318	-	-	318
Liquor law	<u>212</u>	<u>55</u>	<u>(226)</u>	<u>41</u>
	<u>\$ 25,394</u>	<u>\$ 11,621</u>	<u>\$ (3,100)</u>	<u>\$ 33,915</u>

General fund restrictions also include restricted accounts receivable of \$2,412 and the bond payment requirement of \$10,000.

The Town has a reserve fund in the water fund (Enterprise Fund). This reserve fund is to comply with the requirements of the loans from Farmers Home Administration and for future construction needs.

The changes in reserved funds of the water fund are as follows:

	Balance June 30, 2004	Additions	Expenditures	Balance June 30, 2005
Water fund	\$ 15,730	\$ —	\$ —	\$ 15,730

TOWN OF LAKETOWN, UTAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Debt Service			Variance-
	Original	Final	Actual	Positive
	Budget	Budget		(Negative)
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Inter-governmental revenue	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other Financing Sources (uses)				
Transfers in (out)	10,000	10,000	-	(10,000)
Total other financing sources (uses)	10,000	10,000	-	(10,000)
Excess (deficiency) of revenues (over) under expenditures net of other financing sources (uses)	10,000	10,000	-	(10,000)
Fund Balances, Beginning of Year	10,000	10,000	10,000	-
Fund Balances, End of Year	\$ 20,000	\$ 20,000	\$ 10,000	\$ (10,000)